



Accruals



A versus B Accrual

- After June 30th = “A”
 - Items/services received after June 30th
 - Must have valid “A” accrual obligation in place
 - Not used for continuing appropriations unless for budget of statutory reasons
- Before June 30th = “B”
 - Items/services received before June 30th
 - Not paid until after June 30th

Simply Put

“A”

- Reserves Budget
- Received

After

FYE

“B”

- Actual Expenditure
- Received

Before

FYE

Valid Criteria for “A” Accruals

- First consider legislative intent
- Must be in place before July 1st
- Materials/supplies – if PO was issued
- Services – if valid agreement
- Equipment – if PO was issued
- Contracts – if signed

Not Valid Criteria

- Management intent – Even it is in a written format
 - It is still management intent
- Not valid - just because we want to or plan to

Ex's of "A" accrual

- Example of "A" accrual: Valid
 - Signed contract to purchase a car
 - Car not delivered until July 2013
 - Can be encumbered FY13
- Example of "A" accrual: Invalid
 - Remodel project planned
 - No contract/MOU signed by 6/30/13
 - Cannot encumber

Other Issues with “A” Accruals

- Agencies are responsible to have documentation verify valid “A” accruals
- Open item key needs to mean something
- Don't increase prior year “A” accruals
 - Set new ones up
- DOA must provide report to Leg on age of accruals

“A” Accruals in SABHRS

- Must click on Commitment Control link in the Header on journal to establish/reverse
- Recorded in “A” accrual ledger
 - Will not be on trial balance of just ACTUALS
- Cash should not be used on “A” accrual journals
- If with another agency – no receivable established

Paying “A” Accruals

- Reverse original “A” Accrual
 - Use program year of when established if current or prior year
 - Use Acct – 4301 Encumbrance Assignment
 - If prior/prior year
 - Use commitment control
 - If actual amt to be paid is less then amt est'd – remember to reverse entire amt

Paying “A” Accrual – cont.

- Voucher/Jrnl to pay/accrue exp
 - Use program year of when “A” was established if current or prior year
- Use Fund Balance
 - If prior/prior year

Paying “A” Accruals - Example

- Remember you must first reverse the accrual entry before you pay for the item or service

Program Year 2012 , Journal entered in FY2012	
Debit	Expenditure
Credit	2403 Accrual
Program Year 2012, Reversal of Original Journal in FY2013	
Debit	2403 Accrual
Credit	Original Expenditure Acct
Program Year 2012, Voucher paid in FY2013	
Debit	Expenditure (Up to Established Amount)
Credit	Cash

Continuing Approp's

- If org budget goes negative, must be fixed before FYE
- Approp's continuing from FY13 to FY14 will not be established until after close of FY13 (approx July 29th)
- If payment needs to be made before that, use a different approp and then correct in GL after 7/29th



Revenue



Revenue – Modified Accrual


- Realizable – probable that it will be collected
- Measurable – amt known or good est of amt
- Earned – goods delivered/ services performed not when payment received
- Available – collected in current yr or w/in 60 days

Revenue is Available When ...

- Collected within the current period or soon enough thereafter to be used to pay liabilities of the current period
- The State uses 60 days as the length of time to determine availability
- Federal reimbursable grants and a legal commitment from the feds exist to pay expenses incurred

Revenue – Full Accrual

- Revenue must be:
 - Realizable
 - Measurable
 - Earned



Deferred Revenue

FY13

(Name will change in FY14)

Deferred Revenue

Revenue is deferred when...

- In Modified Funds:
 - Earned and not available, or
 - Must be revenue in Entitywide Ledger
 - Not earned
- In Full Accrual Funds:
 - Not earned

Def Rev Ex 1 – Modified Accrual Fund

- Revenue Earned and not available
 - State Special Revenue fund is owed \$1,000 by an entity outside the State but will not receive the money until 95 days after June 30
 - To record A/R: (Actuals Ledger fund 02999)

Debit	1203	A/R – External	1,000
Credit	2505(A)	Def Rev	(1,000)

Def Rev Example 1 (cont.)

- Entry needed to convert previous entry to full accrual accounting

- Entitywide Ledger fund 02999:

Debit	2505(A)	Deferred Revenue	1,000
Credit	5XXXXX	Misc Receipts	(1,000)

Def Rev Example 1 (cont.)

- Reversal entries after FYE:

- Actuals Ledger fund 02999

Debit	2505(A)	Deferred Revenue	1,000
Credit	5XXXXX	Revenue	(1,000)

- Entitywide Ledger fund 02999

Debit	5XXXXX	Revenue	1,000
Credit	2505(A)	Deferred Revenue	(1,000)

Def Rev Example 1 (cont.)

- Entry to record the receipt of the cash

- Actuals Ledger fund 02999

Debit	1104	Cash	1,000
Credit	1203	Accounts Receivable	(1,000)

Def Rev Ex 2 – Cash Rec'd / Revenue not earned

- A fund is paid \$1,500 by an entity outside the State for services that have not been provided
- Same entry -- modified or full accrual
- Actuals Ledger (modified or full accrual)

Debit	1104	Cash	1,500
Credit	2505(A)	Deferred Revenue	(1,500)

Def Rev Example 2 – (cont.)

- When the revenue is earned:

- Actuals Ledger

Debit	2505(A)	Deferred Revenue	1,500
Credit	5XXXXX	Revenue	(1,500)

Def Rev Ex 3 – Full Accrual Fund

- Revenue is earned & recd in 95 days:
 - An enterprise fund is owed for services but will not receive the money for 95 days. (Not deferred revenue.)

- Actuals Ledger fund 06099

Debit	1203	Accts Receivable	1,000
Credit	5XXXXX	Revenue	(1,000)

Def Rev Example 3 – (cont.)

- Entry to record the receipt of the cash in next FY

- Actuals Ledger fund 06099

Debit	1104	Cash	1,000
Credit	1203	Accounts Receivable	(1,000)

Def Rev Example 4 – Billed in advance

- A customer is billed in advance of the good or service being provided for \$2,500
- Not recorded as Revenue
- Not recorded as Deferred Revenue

Multi – Year Revenue

- Cash Received
- Revenue earned over time
- For example:
 - Multi – Year Licenses
 - Potentially only portion of deferred revenue would be eliminated each year

Multi-year Revenue

Any license or permit issued for a period greater than one year with periodic renewals.

- Electrical Board which issues licenses with a three year renewal cycle.
- Board of Realty Regulation which issues licenses with a two year renewal cycle.

Multi-year Revenue

Revenue Recognition Method

Revenue when license/permit issued

- Not materially different from year to year

Multi-year Revenue

Example:

- License/permits due every 3 years
- Fees collected
 - 2011 - \$60,000
 - 2012 - \$59,000
 - 2013 - \$62,000
- Average = \$60,000
- Earned each year when licenses/permits issued on cash basis

Multi-year Revenue

Revenue Deferred Method:

- Materially different from year to year
- Deferred revenue recognized
- Recognized equally over the time period covered

Multi-year Revenue

Example

- License/permits for 3 year period from date of renewal
- Fees collected
 - 2011 - \$60,000
 - 2012 - \$30,000
 - 2013 - \$15,000
- Revenue must be deferred over the time period covered by the permit

Multi-Revenue Ex 2

- January 2012 – Revenue Collected \$40,000
- License valid until January 1, 2014 (2 year period)

Actuals Ledger fund 01100 – January 2012

Debit	1104	Cash	40,000
Credit	5xxxxx	Revenue	40,000

Entry to record deferred revenue by FYE 2012: (only ¼ earned in FY12)

Debit	5xxxxx	Revenue	30,000
Credit	2504(A)	Deferred Revenue	30,000

Multi-Revenue Ex 2

To record FY13 revenue earned:

Actuals Ledger fund 01100

Debit	2504A	Deferred Revenue	20,000
Credit	5xxxxx	Revenue	20,000

To record FY14 revenue earned:

Debit	2504A	Deferred Revenue	10,000
Credit	5xxxxx	Revenue	10,000